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Report Highlights:

"What's New, Eh?" * U.S. Plant Health Officials Work to Reduce Trade Impact of Potato Mop Top Virus * Dairy Farmers of Canada Pressure Government, Defend Supply Management * Canadian Wheat Board Downplays Iraqi Grain Politics * Hay West Project Gathers Additional Support * Vanclief Announces Formula to Deliver C\$600 Million in Farm Funding * Monsanto to Apply for Regulatory Approval for Roundup Ready Wheat * Us Corn Imports to Western Canada to Top Last Year's 1.95 MMT * Feed Wheat Imports from Ukraine Could Reach 150,000 Tons * Train Loaded with US Corn Re-routed out of Alberta * Softwood Lumber Talks to Resume in September

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

U.S. PLANT HEALTH OFFICIALS WORK TO REDUCE TRADE IMPACT OF POTATO MOP TOP VIRUS:

Following the finding of the potato disease called mop top virus at a research farm at the University of Maine and reports in other states, Canada is set to impose plant health entry requirements on imports of fresh potatoes from Maine and eight other states. Mop top virus can reportedly vary from year to year depending on growing conditions, and can render potatoes unmarketable. Plant health officials from the Canadian Food Inspection Agency and the USDA's Animal and Plant Health Inspection Service are working toward an agreement that will reduce the impact of the disease discovery on U.S. potato exports to Canada. In 2001, U.S. fresh potato exports to Canada, including seed and table potatoes, reached \$68 million, just slightly less than the \$70 million worth of Canadian fresh potatoes exported to the U.S. that year. In the fall of 2000, the United States placed special entry requirements on Canadian potatoes after an outbreak of potato wart, another quick spreading plant disease, on Prince Edward Island.

DAIRY FARMERS OF CANADA PRESSURE GOVERNMENT, DEFEND SUPPLY MANAGEMENT:

On August 20, the Board of Directors of Dairy Farmers of Canada (DFC) met with the Ministers of Agriculture and International Trade, the Executive of the Rural Caucus as well as several key Members of Parliament. Producers expressed their concern that two of the three pillars supporting Canada's dairy supply management are eroding: import controls and fair market returns. DFC alleges that imports containing dairy ingredients designed to circumvent tariff-rate quotas (TRQs) have increased significantly and have reduced the demand for Canadian milk production. This, in turn, says DFC, is threatening the integrity of Canada's supply management system. DFC is demanding that the federal government act on its commitment to support supply management. For additional information, see GAIN report CA2102.

CANADIAN WHEAT BOARD DOWNPLAYS IRAQI GRAIN POLITICS: According to *Just-food.com*, the Canadian Wheat Board (CWB) remains unimpressed with Iraq's attempt "to play politics in grain". Iraqi Trade Minister Mohammed Mehdi Saleh said August 15 that Iraq was halving wheat purchases from Australia in response to Canberra's support for a possible US attack on Iraq, reported Reuters. To make up the resulting shortfall, Saleh said Iraq would lift the one-year-old boycott of Canadian wheat, imposed when Canada backed a US air raid on Iraq.

FEDERAL GOVERNMENT EXPANDS ITS HAY WEST SUPPORT: A week after the Canadian Alliance Party, Canada's official opposition party, was critical of the government's response to the hardship on ranchers caused by serious drought in Canada's prairie provinces, the federal government announced that it will provide C\$2.2 million for an additional 187 rail cars to haul hay donated under the Hay West program. The additional rail cars will match the number of cars already donated by Canadian Pacific and Canadian National Railways and double the amount of donated hay that Hay West organizers can ship west. To prevent the possible spread of cereal leaf beetle, the government is paying the costs of fumigation for all donated hay shipped west. In addition, the government pledged to 1,100 large bales of hay grown at the Canadian Food Inspection Agency's research farm in Ottawa. Total federal government assistance to the Hay West effort currently stands at approximately C\$3 million.

ALBERTA CONTRIBUTES C\$200,000 TO HAY WEST BALING PROJECT: The Alberta government is contributing C\$200,000 to the Hay West project to assist Alberta's beleaguered livestock industry reports an Alberta Agriculture news release. Premier Ralph Klein said government funds will help harvest and bale bumper hay crops in eastern Canada. "Hay West organizers assure us that the generosity of others will pay for shipping costs to Alberta. We simply couldn't stand by and watch eastern farmers plough under fields of excess hay when our livestock industry is facing severe feed shortages," the Premier said. Shirley McClellan, Deputy Premier and Minister of Agriculture, Food and Rural Development, said her department's existing budget will fund the donation. "Hay West organizers estimate that in the next 10 days, hay fields will yield up to 30,000 bales of donated hay," said

McClellan. "We're asking that hay be processed into square bales to save on transportation costs." Greg Conn, Chairman of the Alberta Cattle Commission, commended the Alberta government for its support and Hay West organizers and contributors for their efforts. "While we realize this particular project won't meet the 650,000 tonne feed shortage in Alberta, it is certainly appreciated and will help many of our producers through this crisis. It will also go a long way towards raising awareness of the situation," said Conn.

CANADIAN FEDERATION OF AGRICULTURE CALLS FOR MILITARY AID TO DEAL WITH PRAIRIE DROUGHT:

According to the Canadian Federation of Agriculture (CFA), government assistance is urgently needed for drought mitigation efforts. Most importantly, help is required to move hay from eastern Canada to western farms. "I can say from my observations that many see it as the government's duty to boost the massive volunteer effort and arrange transport for the donated feed. This is nothing short of a military exercise," says CFA president Bob Friesen. "I have no doubt that if the Minister of Agriculture visited for himself he'd agree that several areas should be declared disaster regions. Emergency help is required to resolve the challenging logistics of dealing with drought." Latest reports from organizers of the Hay West campaign say they have collected enough livestock feed to fill approximately 350 more railcars (over and above those already assigned); resources just waiting for delivery. While farmers are very grateful for the federal government's earlier commitment to move 100 cars, the dire conditions show much more is required to feed hungry animals. "The long-term impact of this drought will be felt for years, not just in the agricultural industry but in the rural communities and Canada's economy as a whole, as farm businesses and herds, built-up over generations, are liquidated," said Friesen.

VANCLIEF ANNOUNCES FORMULA TO DELIVER C\$600 MILLION IN FARM FUNDING: Agriculture and Agri-Food Minister Lyle Vanclief announced on August 19 that the federal government will deliver this year's C\$600 million in risk management funding using farmers' eligible net sales (ENS) for the distribution formula. Farmers will receive a payment into their Net Income Stabilization Account (NISA) equal to 4.25% of their ENS based on their

five-year average, Vanclief said. For crops, eligible net sales are defined as sales of a commodity minus the seed cost, while in livestock, ENS is the sales revenue from an animal minus the cost of purchasing it when it was younger. "NISA was designed jointly by farmers and governments as a tool to manage risk and is currently used by close to 150,000 Canadian farmers," said Mr. Vanclief. Producers who do not have accounts can apply for NISA up until Dec. 31. In Quebec, Newfoundland, the Yukon and the Northwest Territories, where there is little participation in the NISA program, federal and provincial governments are negotiating payment agreements. The C\$600 million, to be delivered this fall, is risk management funding to help farmers manage challenges, such as the current drought, and make the transition to a new generation of risk management programming under the Agricultural Policy Framework (APF). Delivery of a further \$600 million for next year to implement new risk management programming under the APF will be included in the negotiations between federal and provincial governments. Both amounts were announced in June as part of a \$5.2-billion investment over six years to help the sector move forward with the APF.

MONSANTO TO APPLY FOR REGULATORY APPROVAL FOR ROUNDUP READY WHEAT:

According to the August 13 edition of *AgriLine*, Monsanto plans to apply for regulatory approval for Roundup Ready wheat in Canada, the US and Japan this year. However, the company reiterated that it will not make the seed commercially available until market acceptance is established.

US CORN IMPORTS TO WESTERN CANADA TO TOP LAST YEAR'S 1.95 MMT: The August 14 edition of *AgriLine* reports that US corn imports into western Canada may not abate despite higher prices, and could hit a record for the 2nd straight year in 2002/03. Projections range from 2 to 3 million metric tons (MMT), up from 1.95 MMT in the just-ended 2001/02 crop year. Some larger users say they will not go back to barley even if it becomes available at competitive prices to corn.

FEED WHEAT IMPORTS FROM UKRAINE COULD REACH 150,000 TONS: Also covered in the August 14 edition of *AgriLine* is an article that says that feed wheat imports from the Ukraine into eastern Canada, mainly the Maritimes, may hit 150,000 metric tons during calendar 2002. Importer is Bunge Corp., which says western feed wheat is priced out of the market.

PRODUCER CAR SHIPMENTS UP IN 2001/02 OVER 2000/01: The August 16 edition of *AgriLine* reports that producer car shipments from western Canada in the 2001/02 crop year totaled 6,583, 39% higher than the 4,723 in 2000/01. Increase is attributed to new producer car loading facilities especially designed for shipping producer cars.

However the total is far below the recent record of 13,886 in 1991/92. The all-time high was 51,137 cars in 1912/13. Under the *Canada Grain Act*, elevators and grain dealers must be licensed by the Canadian Grain Commission (CGC) and post security to cover their liabilities to grain producers. The CGC exempts producer car loading facilities from these provisions, as long as they meet certain conditions. Therefore, grain handled and stored at producer car loading facilities is not protected by security held by the CGC. The Canadian Wheat Board (CWB) has assumed the administration of producer cars to get wheat and barley to export position. In addition to the CWB, there are several grain companies that currently offer producer car administration services.

SMALLER GRAIN FIRMS ASK FOR TENDERING TO STAY AT 25%: The August 16 edition of *Agriline* also reported that some smaller grain companies are complaining that the Canadian Wheat Board's tendering system unfairly favors large grain firms which also own their own terminal facilities and are able to subsidize rates by smaller terminal margins and withdrawing services like on-farm pick-ups. They have appealed to the CWB and minister responsible for the CWB Ralph Goodale to hold tendered volume at 25%.

A TRAIN LOADED WITH US CORN RE-ROUTED OUT OF ALBERTA: A train loaded with U.S. corn had to be re-routed last week to bypass Lacombe county in Alberta, reports the August 16 edition of *Agriline*, because the county has banned grain shipments that have not been tested and declared free of fusarium. The Alberta government is still considering a province-wide zero-tolerance proposal.

CANADIAN STUDY PROMOTES ALMONDS FOR LOWER CHOLESTEROL: U.S. almond growers, who export almost \$30 million worth of fresh almonds annually from the United States recently received some marketing support from Canadian medical researchers. According to the *Globe and Mail's* health reporter, a new Canadian study shows that almonds can lower harmful cholesterol just as effectively as expensive drugs. Researchers at the University of Toronto found that people who were asked to eat 37 grams -- a small handful -- of the nuts each day for a month saw their low-density lipoprotein (so-called bad cholesterol) fall 4.4 per cent. When they ate even more almonds, 74 grams a day, LDL fell 9.4 per cent. And the ratio of bad cholesterol to high-density lipoprotein, or good cholesterol, fell 12 per cent. "We were quite impressed at how much of a difference they can make," David Jenkins, the Canada research chair in nutrition and metabolism at the U of T, said in a *Globe and Mail* interview from Amsterdam. "Almonds can actually be part of a potent cholesterol-lowering dietary package," said Dr. Jenkins. However, he stressed that for almonds to be good for your health they should be consumed raw, or baked and unsalted.

SOFTWOOD LUMBER TALKS TO RESUME IN SEPTEMBER: The *Globe and Mail* reported on August 16 that mid-level talks aimed at resolving the Canada-U.S. softwood lumber dispute are set to resume by September but Canadian officials caution the discussions are still at a fragile stage, according to a spokesman for Trade Minister Pierre Pettigrew. The discussions between U.S. and Canadian bureaucrats - the location has not been announced yet - will be the first attempt at resuming negotiations since more serious talks fell apart about six months ago. Mr. Pettigrew announced the planned resumption of talks earlier this week while speaking to a Quebec City newspaper during a tour of rural Quebec. "[U.S. trade representative Robert Zoellick] and I agreed Monday to restart discussions and negotiations at the end of August," Mr. Pettigrew told *Le Soleil*. According to the *Globe and Mail*, discussions to resolve the dispute by political negotiation have not resumed before now because the Canadian government had said that it was waiting until Washington brought a better proposal to the table. Pettigrew's spokesman, Sebastien Th  berge said Ottawa and the provinces are still working to hammer out a date, location and format for the talks. Canadian and U.S. lumber industry representatives were cautious about what will be achieved during the talks.

Did You Know...that in 2000 there were 9,913 beekeepers in Canada who maintained 603,828 bee hives that produced 31,461 tonnes (69.4 million pounds) of honey?
(Source: Agriculture and Agri-Food Canada)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2102	DFC Calls on Federal Government to Defend Supply Management	8/22/2002

CA2093	This Week in Canadian Agriculture, Issue 28	8/15/2002
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